



Diversified company Hills Holdings Limited (ASX: "HIL") today announced its results for the six month period ending 31 December 2010.

Key points from today's result announcement include:

- **First half results from operations before unusual items in line with December guidance**
- **Fully franked interim dividend of 5.5 cents per share**
- **Complete restructure of Orrcon's operations**
- **Non-cash impairment of Orrcon Steel and Team Poly**
- **Good results from Lifestyle & Sustainability division**
- **Further improvement in safety performance**
- **Strong balance sheet with low gearing at 17.5%**

	6 MONTHS TO 31/12/10 \$'000	6 MONTHS TO 31/12/09 \$'000	% CHANGE
Total Revenue	557,957	589,712	(5.4%)
Operating profit after tax attributable to owners before unusual item	15,514	22,058	(29.7%)
Operating profit after tax attributable to owners including unusual items	(41,619)	22,058	(288.7%)
Earnings per share before unusual item (cents) *	6.3	9.4	(33.0%)
Earnings per share after unusual item (cents) *	(16.8)	9.4	(278.7%)
Dividends per share (cents)	5.5	7.0	(21.4%)

* Based on the weighted average number of shares on issue during the year.

Hills Holdings Limited today reported group net profit from operations (excluding unusual items) in line with guidance previously given to the market in December, but below the prior comparable period by 29.7%.

Hills Chairman, Ms Jennifer Hill-Ling, said that "While many Hills businesses produced results in line with our expectations, the poor result from Orrcon Steel and to a lesser extent, the DGTEC range of consumer electronic equipment resulted in a reduced Hills Group operating profit (excluding unusual items)."

"There were a number of highlights during the period, particularly in our Electronics & Communications Division. These included:

- the successful projects in the fibre market that we undertook with the National Broadband Network in Tasmania and the new Westfield property in Sydney;

- gaining additional contracts to provide digital television services under a Federal Government programme in South Australia and Victoria;
- the establishment of the Cygnus joint venture to provide satellite delivered remote data and communications services in regional Australia. We were pleased to see that Cygnus has already secured a contract which will commence shortly.

In addition Hills SVL continued to gain market share in the education market"

"Our strategy is to increase focus on the development of the businesses within the Electronics and Communications Division and the Healthcare sectors. During the period we continued to develop and launch new products across all our businesses and we have a number of acquisition opportunities under review in the Electronics and Communications sector" she said.

The strengthening of the Australian dollar has led to increased competition for steel and tube products in a very weak market and a number of pipeline projects have been deferred which adversely affected the Orrcon results.

Following a review of the carrying value of the Orrcon business the directors announced a non cash impairment after tax of \$48.7 million.

Ms Hill-Ling said that "Management have undertaken a restructure of the Orrcon business to focus more on the domestic structural and precision markets and reduce exposure to contracting for large major projects but that the market remained challenging".

Ms Hill-Ling said that the depressed water tank market was further affected during the period by above average rainfall across much of Australia and the continued lack of government subsidies. The Directors reviewed the carrying value of the Team Poly business and announced a non cash impairment after tax of \$8.4 million.

"Management have continued to implement a number of profit improvement initiatives within Team Poly, which are expected to deliver better results in the second half in what continues to be a difficult market" she said.

DIVIDEND

Ms Hill-Ling said she was pleased to announce that the Company had maintained its dividend in line with the June 2010 dividend and will pay a fully franked interim dividend of 5.5 cents per share. Given the strong balance sheet, the Dividend Reinvestment Plan is not offered for this dividend.

2011 OUTLOOK

Ms Hill-Ling said: "Whilst the recent Queensland floods disrupted a number of our businesses during January, Hills operations did not suffer any direct damage as a result and we are well placed to participate in the reconstruction activity.

"We have implemented profit improvement plans across the Group to maximise the full year result and reflect the current demand for our products, but trading conditions are forecast to remain difficult in many of the markets in which Hills operates in Australia and New Zealand. The outlook for the commercial building and the steel

industry remains subdued and increased competition from imports continues” said Ms Hill-Ling.

“In view of the above, the company is unable to give specific profit guidance for the full year at this time, but expects results to be below last year” she said.

BUSINESS UNITS REPORT

Hills Managing Director, Mr Graham Twartz, said “Most of our business units performed at a satisfactory level, however we have continued to see poor demand in commercial building activity, which affects our Building & Industrial Products sector.”

“The further improvement in our Lifestyle & Sustainability segment was welcome and our Electronics & Communications division was in line with our expectations other than for the poor performance from DGTEC,” he said.

“Our debt levels remain at historically low levels, which gives us the opportunity to pursue growth by acquisition. We have a number of such opportunities under review,” he said. “Our focus will be on faster growing markets such as Communications, Healthcare and our Electronics businesses and away from more mature market segments.”

“Our efforts over recent times to improve our safety record were rewarded with a further 55% decline in the number of lost time injuries recorded in Hills workplaces in the first half.”

Detailed below is a summary of the performance of Hills key operating divisions during the six months to 31 December 2010.

ELECTRONICS & COMMUNICATIONS

	6 MONTHS TO 31/12/10 \$'000	6 MONTHS TO 31/12/09 \$'000	% CHANGE
Total Revenue	166,084	183,049	(9.3%)
Operating profit before interest and tax	15,253	17,041	(10.5%)
% to Sales	9.2%	9.3%	

The Electronics & Communications division continues to produce the highest profit margins and return on assets employed of any of the Hills divisions. During the period the EBIT of the division declined by 10.5%, principally due to poor results from the DGTEC business.

- Hills Electronic Security comprises the market leading business operations of Pacific Communications, Direct Alarm Supplies and Ultra High Speed. Demand for security products remained at acceptable levels, although with the strength of the Australian dollar, selling prices continued to decrease across the period. This business unit markets and extensive range of electronic security products ranging from simple domestic alarms to complex integrated surveillance and access control systems.

Although the level of large project work remained subdued, the business continued to release a range of new products made specifically for the Australian and New Zealand markets and has delivered an improved result for Hills Electronic Security.

- Hills Antenna & TV Systems business unit provides a full range of reception and distribution equipment for subscription television, free to air television, the wireless voice and data market and DGTEC consumer electronic equipment.

Demand from the subscription television and free to air television markets were steady during the period. Furthermore, the business has certain opportunities as a result of the Australian Federal Government's decision to progressively shut down the analogue television signal.

In the previous year, the DGTEC range of consumer electronics experienced good growth and contributed to profit. In the period under review, as a result of reduced demand and falling retail selling prices, this business produced a loss. The business and its product range has been restructured..

- Access Television Services (ATS) in Australia and Signalmaster in New Zealand provide subscription television installation services to AUSTAR and SkyTV respectively. In addition to the steady demand from subscription television providers, our Techlife business has been successful in winning further contracts to provide installation services to non-subscription television providers.

Of particular note was the successful conclusion to the Mildura and South Australian Federal Government funded project to install digital television solutions for certain qualifying customers. In addition, Techlife has won installation contracts in rolling out fibre to the home networks, including Stage 1 of the National Broadband Network in Tasmania.

- Hills Sound Vision and Lighting (SVL) is the leading provider of professional audio, lighting and control systems to a wide range of customers in Australia and New Zealand and to a number of export markets. SVL's results during the period were pleasing on the back of a range of new products launched under the Crestron and Australian Monitor brands. We continue to look for acquisitions and complementary products to add to our range in line with our strategy to be a one-stop-shop for all of our customer needs.
- Our strategy to expand our exposure to communications markets continued with the establishment of Cygnus, a new 50% joint venture to offer satellite bandwidth to rural and remote markets in Australia. This complements our other 50% owned joint venture, OptiComm, which provides fibre to the node and fibre to the home in new housing developments. Our open platform offer is generally the preferred solution for customers and developers. Opticomm completed Stage 1 of the National Broadband Network's rollout in Tasmania and continues to operate the network operation centre for NBN Tasmania in Hobart. We expect that the business will have significant future opportunities as the National Broadband Network rolls out.

Also, during the period, Opticomm completed the fibre network in the new Westfield shopping centre in Pitt Street, Sydney. This was a first for OptiComm and for the Australian retail shopping centre market.

LIFESTYLE & SUSTAINABILITY

	6 MONTHS TO 31/12/10 \$'000	6 MONTHS TO 31/12/09 \$'000	% CHANGE
Total Revenue	78,304	94,203	(16.9%)
Operating profit before interest and tax	5,746	5,690	1.0%
% to Sales	7.3%	6.0%	

It was pleasing that this division produced a small improvement in profitability while increasing EBIT margins, further building on the improvements of the previous year.

- The results of our traditional Hills Branded Products and Bailey Ladders businesses continued the improvement of the previous year. The business has focussed on a smaller range of products and look to achieve operational excellence in its supply chain and customer service. The rise in the Australia dollar has helped margins and we were pleased with the solid contribution from the LW Gemmell plumbing distribution business.
- Hills Healthcare is the leading manufacturer of rehabilitation, mobility and hospital equipment in Australia. We achieved a small improvement in profit during the period as a result of some additional nursing home construction activity, compared to the prior period, but also as a result of the higher Australian dollar. We believe this business is well placed to grow over the next few years.

Team Poly is one of Australia's leading manufacturers of rotationally moulded polyethylene water tanks. As a result of significant and widespread rainfall, the level of activity in the water tank industry remains at historically very low levels. During the period other market players have experienced financial difficulties including insolvency. Revenue was reduced this year as compared to the prior comparable period. We have continued to undertake a number of profit improvement initiatives within Team Poly, focussing on improvements in supply chain and the manufacturing process. These initiatives are expected to deliver better results in a difficult market.

BUILDING & INDUSTRIAL PRODUCTS

	6 MONTHS TO 31/12/10 \$'000	6 MONTHS TO 31/12/09 \$'000	% CHANGE
Total Revenue	313,140	311,550	0.5%
Operating profit before interest and tax from Ordinary Activities	2,249	14,767	(84.8%)
% to Sales	0.7%	4.7%	

The Hills Building & Industrial Products division continues to be the largest contributor to Hills in terms of revenue, however, results from operations were very disappointing and unsatisfactory. Revenue for the period under review was flat as a result of low demand in the commercial building sector and a lack of project related oil and gas pipeline work at the end of the period.

- Orrcon Steel is a leading manufacturer and distributor of steel tube and pipe in Australia, specialising in the manufacture of precision tube, structural tube, rectangular hollow sections and water, oil and gas pipelines. After delivering an improved result in the prior year, demand for Orrcon's products fell below expectations particularly in the second half of the reporting period.

The stronger Australian dollar has contributed to a greater market share for imported tube and inventory reductions by our customers saw demand fall in the period.

In particular, a number of pipeline projects were deferred, which has adversely affected the results from Orrcon's Pipeline and Infrastructure operation.

Profit improvement initiatives have been initiated as a result of these lower levels of activity, although volumes are not forecast to improve in the second half. This is consistent with information from other industry participants.

The Fielders rollforming business is a market leader in new and innovative products in a market that is not generally known for innovation.

While Fielders sales to domestic customers remained strong, the level of commercial building activity remained low, which affected the overall result for Fielders.

During the period the New South Wales operation relocated to new premises..

- Hills holds around 49% of Korvest which comprises the market leading EzyStrut cable and pipe support business, Korvest Galvanisers and Indax industrial access equipment. Results for the year were lower than in the previous period. Korvest is a separately listed public company and further details of its results are obtainable from Korvest's website.

FUNDING

The net debt of Hills at 31 December 2010 was \$76.7 million (net of cash of \$21.0 million). Gearing, measured as debt to equity, stood at 17.5% at the end of the period. Hills bank facilities have been extended such that the earliest date for review of any of the facilities is June 2012, while the remainder of the facilities are committed until November 2012 and June 2013. The company continues to comfortably meet all of its banking covenants.

DIVIDEND POLICY

The Directors have announced a fully franked interim dividend of 5.5 cents per share. The Directors have determined not to offer the Dividend Reinvestment Plan or the Share Investment Plan in respect to this interim dividend.

The record date for this dividend will be 7 March 2011 and the payment on 21 March 2011.

J.H. HILL-LING
CHAIRMAN

22 February 2011

Contact Details:
GRAHAM TWARTZ
MANAGING DIRECTOR
Mobile: 0412 818 271